嘉華國際集團有限公司
K. WAH INTERNATIONAL HOLDINGS LIMITED
於百慕達註冊成立之有限公司 Incorporated in Bermuda with limited liability

(Stock Code: 00173)

Sustaining Success through Excellence and Quality

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

ANNUAL RESULTS HIGHLIGHTS

The Board of Directors ("***Board***") of K. Wah International Holdings Limited ("***Company***") is pleased to announce the consolidated annual results of the Company and its subsidiaries (together the "***Group***") as follows:

- Revenue of the Group was HK$9,620 million; taking into account joint ventures and associated companies, total attributable revenue of the Group was HK$12,570 million.
- Attributable Contracted Sales of the Group amounted to HK$13 billion with HK$6.7 billion of which expected to be recognised in 2017 and 2018.
- Underlying profit of the Group increased 113% to HK$2,808 million. Profit attributable to equity holders of the Company was HK$3,182 million.
- Earnings per share was 107.62 HK cents, and the full year dividend per share (including final dividend per share of 13 HK cents) was 18 HK cents.
- As of 31 December 2016, net asset value per share was HK$8.58 and cash and bank deposits amounted to HK$7,248 million.
- The gearing ratio of the Group decreased to 14% as of 31 December 2016 and the Group has ample financial capabilities for sustainable development.
- In 2016, the Group successfully acquired two pieces of land at Kai Tak and in Nanjing with a land premium of HK$5,869 million and RMB1,360 million respectively. In January 2017, the Group also participated in a joint venture, for 33% interest, for development of a land in Nanjing with a land premium of RMB1,020 million. The Group will continue to seek opportunities to augment its landbank on a disciplined basis.

CONSOLIDATED PROFIT AND LOSS STATEMENT
For the year ended 31 December 2016

	Note	**2016**	2015
	Note	***HK$'000***	*HK$'000*
Revenue	3	**9,619,956**	4,720,487
Cost of sales		**(5,096,500)**	(1,679,851)
Gross profit		**4,523,456**	3,040,636
Other operating income		**141,154**	166,821
Other net gains		**77,524**	163,228
Fair value gain on transfer of development properties to investment properties	4	**345,936**	-
Change in fair value of investment properties		**107,640**	113,528
Other operating expenses		**(567,094)**	(352,361)
Administrative expenses		**(427,632)**	(446,029)
Finance costs	5	**(22,308)**	(61,930)
Share of profits of joint ventures		**102,807**	76,286
Share of profits of associated companies		**790,363**	115,166
Profit before taxation	6	**5,071,846**	2,815,345
Taxation charge	7	**(1,845,715)**	(1,368,223)
Profit for the year		**3,226,131**	1,447,122
Attributable to:			
Equity holders of the Company		**3,181,996**	1,366,754
Non-controlling interests		**44,135**	80,368
		3,226,131	1,447,122
		HK cents	*HK cents*
Earnings per share	8		
Basic		**107.62**	48.13
Diluted		**107.34**	48.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
Profit for the year	**3,226,131**	1,447,122
Other comprehensive income/(loss):		
Items that may be reclassified to profit and loss:		
Change in fair value of non-current investment	**1,519,226**	(3,127,818)
Exchange differences arising from translation	**(1,097,873)**	(1,212,769)
Release of exchange reserve upon reduction of interest in subsidiaries	**(61,541)**	(198,606)
Other comprehensive income/(loss) for the year	**359,812**	(4,539,193)
Total comprehensive income/(loss) for the year	**3,585,943**	(3,092,071)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**3,616,649**	(3,090,610)
Non-controlling interests	**(30,706)**	(1,461)
	3,585,943	(3,092,071)

CONSOLIDATED BALANCE SHEET
As at 31 December 2016

	Note	2016 *HK$'000*	2015 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**446,360**	500,680
Investment properties		**8,291,075**	7,829,881
Leasehold land and land use rights		**14,309**	15,904
Joint ventures		**976,552**	837,530
Associated companies		**1,278,491**	510,218
Non-current investment		**5,491,961**	3,972,735
Deferred taxation assets		**79,431**	100,048
Derivative financial instruments		**-**	846
Other non-current assets		**176,519**	85,613
		16,754,698	13,853,455
Current assets			
Development properties		**23,677,327**	26,395,780
Inventories		**2,055**	2,680
Amounts due from associated companies		**21,699**	165,150
Debtors and prepayments	10	**1,189,389**	1,586,519
Land and tender deposits		**1,185,500**	25,000
Derivative financial instruments		**938**	-
Financial assets at fair value through profit or loss		**142,567**	-
Taxes recoverable		**250,252**	198,018
Cash and bank deposits		**7,248,193**	4,337,042
		33,717,920	32,710,189
Total assets		**50,472,618**	46,563,644
EQUITY			
Share capital		**295,674**	283,959
Reserves		**25,064,023**	21,541,214
Shareholders' funds		**25,359,697**	21,825,173
Non-controlling interests		**1,766,770**	1,511,587
Total equity		**27,126,467**	23,336,760
LIABILITIES			
Non-current liabilities			
Borrowings		**6,934,991**	9,418,226
Guaranteed notes		**997,843**	2,706,597
Derivative financial instruments		**986**	17,302
Deferred taxation liabilities		**1,574,946**	1,645,558
		9,508,766	13,787,683
Current liabilities			
Amounts due to joint ventures		**559,343**	238,970
Amounts due to associated companies		**218,034**	31,768
Creditors and accruals	11	**1,698,815**	1,432,662
Pre-sales deposits		**5,798,541**	5,404,066
Current portion of borrowings		**1,366,069**	459,791
Current portion of guaranteed notes		**1,713,719**	-
Derivative financial instruments		**5,004**	-
Taxes payable		**2,477,860**	1,871,944
		13,837,385	9,439,201
Total liabilities		**23,346,151**	23,226,884
Total equity and liabilities		**50,472,618**	46,563,644
Net current assets		**19,880,535**	23,270,988
Total assets less current liabilities		**36,635,233**	37,124,443

NOTES

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants under the historical cost convention as modified by the revaluation of investment properties, non-current investment, derivative financial instruments and financial assets at fair value through profit or loss, which are carried at fair values.

The accounting policies and methods of computation used in the preparation of the financial statements are consistent with those used in the financial statements for the year ended 31 December 2015, except as stated below.

The adoption of revised HKFRSs

In 2016, the Group adopted the following new standard and amendments to standards, which are relevant to its operations.

HKAS 1 (Amendments)	Presentation of Financial Statements — Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Property, Plant and Equipment and Intangible Assets — Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities — Applying the consolidation exception
HKFRS 11 (Amendments)	Joint Arrangement — Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements to HKFRSs 2012–2014 Cycle	

The Group has assessed the impact of the adoption of these new standard and amendments to standards and considered that there was no significant impact on the Group's results and financial position or any substantial changes in the Group's accounting policies and presentation of the consolidated financial statements.

New standards and amendments to standards that are not yet effective

		Effective for accounting periods beginning on or after
HKAS 7 (Amendments)	Statement of Cash Flows – Disclosure Initiative	1 January 2017
HKAS 12 (Amendments)	Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019

1. Basis of preparation (Cont'd)

The Group will adopt the above new standards and amendments to standards as and when they become effective. The Group is currently assessing the potential impact of these new standards and amendments to standards but expects their adoption will not have a significant effect on the Group's consolidated financial statements except as set out below.

HKFRS 15 "Revenue from contracts with customers" (effective for accounting periods beginning on or after 1 January 2018), establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. HKFRS 15 replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and related interpretations. The core principle in that framework is that revenue is recognised when control of a good or service transfers to a customer. The new standard may change the timing of revenue recognition on certain property sales. As at the reporting date, the Group is not yet in a position to estimate the impact of HKFRS 15 on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

2. Segment information

The Group is principally engaged in property development and investment in Hong Kong, Mainland China and Singapore. In accordance with the internal financial reporting of the Group provided to the chief operating decision-maker for the purposes of allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are property development and property investment. The Group regards the Board of Directors as the chief operating decision-maker.

The results of the operating segments represent the adjusted earnings before interest, tax, depreciation, amortisation and certain items (the "Adjusted EBITDA"). Certain items include other operating income/expenses, other net gains, fair value gain on transfer of development properties to investment properties and change in fair value of investment properties. Also the Adjusted EBITDA excludes the share of results of joint ventures and associated companies. There are no sales or trading transactions between the operating segments. Others represent corporate level activities including central treasury management, hotel operation and administrative function.

Segment assets primarily consist of property, plant and equipment, leasehold land and land use rights, deferred taxation assets, other non-current assets, development and investment properties, debtors and prepayments, land and tender deposits, financial assets at fair value through profit or loss, taxes recoverable, cash and bank deposits and other assets mainly include non-current investment, derivative financial instruments, hotel building, inventories and other non-operating assets held by the corporate office. Segment liabilities comprise mainly creditors and accruals, pre-sales deposits, amounts due to joint ventures and associated companies, borrowings, guaranteed notes, derivative financial instruments, taxes payable and deferred taxation liabilities. Other liabilities include liabilities not arising from the operation of the operating segments.

2. Segment information (Cont'd)

	Property development			Property investment	Others	Total
	Hong Kong *HK$'000*	**Mainland China** *HK$'000*	**Others** *HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2016						
Revenue	**3,266,978**	**5,857,652**	**-**	**392,697**	**102,629**	**9,619,956**
Adjusted EBITDA	**895,050**	**3,086,042**	**(3,199)**	**346,765**	**(192,286)**	**4,132,372**
Other income and expenses/gains, net						**(348,416)**
Depreciation and amortisation						**(36,548)**
Fair value gain on transfer of development properties to investment properties				**345,936**		**345,936**
Change in fair value of investment properties				**107,640**		**107,640**
Finance costs						**(22,308)**
Share of profits/(losses) of joint ventures	**102,854**	**(47)**				**102,807**
Share of profits of associated companies	**790,363**					**790,363**
Profit before taxation						**5,071,846**
Taxation charge						**(1,845,715)**
Profit for the year						**3,226,131**
As at 31 December 2016						
Segment assets	**12,904,634**	**20,293,040**	**304,798**	**8,510,669**	**-**	**42,013,141**
Other assets	**-**	**-**	**-**	**-**	**6,182,735**	**6,182,735**
Joint ventures	**976,116**	**436**	**-**	**-**	**-**	**976,552**
Associated companies	**1,300,190**	**-**	**-**	**-**	**-**	**1,300,190**
Total assets	**15,180,940**	**20,293,476**	**304,798**	**8,510,669**	**6,182,735**	**50,472,618**
Total liabilities	**7,997,144**	**13,441,353**	**657**	**1,860,021**	**46,976**	**23,346,151**
Year ended 31 December 2015						
Revenue	920	4,262,982	-	351,081	105,504	4,720,487
Adjusted EBITDA	17,543	2,519,652	(3,169)	324,875	(221,357)	2,637,544
Other income and expenses/gains, net						(22,312)
Depreciation and amortisation						(42,937)
Change in fair value of investment properties				113,528		113,528
Finance costs						(61,930)
Share of profits/(losses) of joint ventures	76,536	(250)				76,286
Share of profits of associated companies	115,166					115,166
Profit before taxation						2,815,345
Taxation charge						(1,368,223)
Profit for the year						1,447,122
As at 31 December 2015						
Segment assets	13,026,066	19,168,668	311,183	7,976,587	-	40,482,504
Other assets	-	-	-	-	4,568,242	4,568,242
Joint ventures	837,043	487	-	-	-	837,530
Associated companies	675,368	-	-	-	-	675,368
Total assets	14,538,477	19,169,155	311,183	7,976,587	4,568,242	46,563,644
Total liabilities	9,080,935	12,517,864	716	1,566,837	60,532	23,226,884

2. Segment information (Cont'd)

	Property development			Property investment	Others	Total
	Hong Kong	**Mainland China**	**Others**			
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Year ended 31 December 2016						
Additions to non-current assets	**-**	**6,082**	**-**	**-**	**3,449**	**9,531**
Year ended 31 December 2015						
Additions to non-current assets	-	5,125	115	-	11,207	16,447

Geographical segment information

The Group operates in three (2015: three) main geographical areas, including Hong Kong, Mainland China and Singapore.

The revenue for the years ended 31 December 2016 and 2015 and total non-current assets (other than joint ventures, associated companies, non-current investment, deferred taxation assets, derivative financial instruments and other non-current assets) as at 31 December 2016 and 2015 by geographical area are as follows:

Revenue

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**3,311,283**	42,875
Mainland China	**6,308,673**	4,677,612
Singapore	**-**	-
	9,619,956	4,720,487

Non-current assets

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**2,005,077**	1,236,953
Mainland China	**6,746,487**	7,109,120
Singapore	**180**	392
	8,751,744	8,346,465

3. Revenue

	2016	2015
	HK$'000	*HK$'000*
Sale of properties	**9,124,630**	4,263,902
Rental income	**392,697**	351,081
Hotel operations	**102,629**	105,504
	9,619,956	4,720,487

4. **Fair value gain on transfer of development properties to investment properties**

The amount represented fair value gain on transfer of certain units of Chantilly and commercial portions of Twin Peaks from development properties to investment properties in pursuance of the Group's strategy to increase the recurring income.

5. **Finance costs**

	2016	2015
	HK$'000	*HK$'000*
Interest expenses		
Bank loans, guaranteed notes, overdrafts and others	**485,590**	622,397
Capitalised as cost of properties under development	**(463,282)**	(560,467)
	22,308	61,930

6. **Profit before taxation**

	2016	2015
	HK$'000	*HK$'000*
Profit before taxation is stated after crediting:		
Interest income from banks	**63,490**	79,262
Interest income from mortgage loans and others	**1,845**	467
Dividend income from non-current investment	**53,620**	68,243
Release of exchange reserve upon reduction of interest in subsidiaries	**61,541**	198,606
Net gain on settlement of derivative financial instruments	**12,403**	-
Net fair value gains on derivative financial instruments	**11,404**	-
Net fair value gains on financial assets at fair value through profit or loss	**2,948**	-
and after charging:		
Cost of properties sold	**5,018,334**	1,612,973
Cost of inventories consumed/sold	**20,874**	22,359
Selling and marketing expenses	**537,160**	326,415
Depreciation (net of capitalisation)	**36,427**	42,808
Amortisation for leasehold land and land use rights	**121**	129
Net fair value losses on derivative financial instruments	**-**	16,189
Net exchange losses	**10,730**	18,698

7. **Taxation charge**

	2016	2015
	HK$'000	*HK$'000*
Current		
Hong Kong profits tax	**75,288**	3,659
Mainland China		
- Income tax	**535,792**	433,171
- Land appreciation tax	**1,198,433**	931,329
Overseas	**53**	126
Over-provision in previous years	**(990)**	(40,623)
Deferred	**37,139**	40,561
	1,845,715	1,368,223

7. **Taxation charge (Cont'd)**

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year after setting off available tax losses brought forward. Taxation assessable on profits generated in Mainland China and overseas has been provided at the rates of taxation prevailing in the countries in which the Group operates. There is no income tax provided on other comprehensive income.

Land appreciation tax in Mainland China is normally provided at statutory progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the profit and loss statement as taxation charge.

8. **Earnings per share**

The calculation of basic and diluted earnings per share for the year is based on the following:

	2016	2015
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**3,181,996**	1,366,754

	Number of shares	
	2016	2015
Weighted average number of shares for calculating basic earnings per share	**2,956,615,000**	2,839,597,000
Effect of dilutive potential ordinary shares - Share options	**7,698,000**	4,223,000
Weighted average number of shares for calculating diluted earnings per share	**2,964,313,000**	2,843,820,000

9. **Dividends**

	2016	2015
	HK$'000	*HK$'000*
Interim scrip dividend (with a cash option) of 5 HK cents (2015: interim scrip dividend (with a cash option) of 5 HK cents) per share	**146,376**	140,181
Proposed final scrip dividend (with a cash option) of 13 HK cents (2015: final scrip dividend (with a cash option) of 12 HK cents) per share	**384,689**	340,776
	531,065	480,957
The dividends have been settled by cash as follows:		
Interim	**27,900**	31,914
Final	**-**	62,582
	27,900	94,496

9. Dividends (Cont'd)

The Board of Directors recommended the payment of a final scrip dividend (with a cash option) in respect of 2016 of 13 HK cents (2015: final scrip dividend (with a cash option) of 12 HK cents) per share. This dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2017.

10. Debtors and prepayments

	2016	2015
	HK$'000	*HK$'000*
Trade debtors, net of provision	**623,531**	1,222,875
Other debtors, net of provision	**186,942**	196,413
Amounts due from non-controlling interests	**-**	8,833
Prepayments and other deposits	**175,383**	102,582
Prepaid sales taxes	**203,533**	55,816
	1,189,389	1,586,519

Trade debtors mainly comprise proceeds receivables in respect of sales of properties and rental receivable. Proceeds receivables in respect of sales of properties are settled in accordance with the terms stipulated in the sales and purchase agreements. Rental from tenants is due and payable in advance.

The aging analysis of the trade debtors of the Group based on the date of invoices and net of provision for bad and doubtful debts is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one month	**487,811**	897,921
Two to three months	**84,045**	259,417
Four to six months	**39,980**	63,496
Over six months	**11,695**	2,041
	623,531	1,222,875

11. Creditors and accruals

	2016	2015
	HK$'000	*HK$'000*
Trade creditors	**1,236,333**	972,932
Other creditors	**61,298**	48,493
Amounts due to non-controlling interests	**5,157**	5,506
Accrued operating expenses	**247,069**	274,610
Rental and other deposits received	**148,958**	131,121
	1,698,815	1,432,662

11. Creditors and accruals (Cont'd)

The aging analysis of the trade creditors of the Group based on the date of invoices is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one month	**1,230,376**	821,538
Two to three months	**3,125**	133,348
Four to six months	**401**	366
Over six months	**2,431**	17,680
	1,236,333	972,932

12. Guarantees

As at 31 December 2016, the Group has executed the following guarantees in respect of loan facilities granted by banks and financial institutions:

	2016		2015	
	Outstanding	**Utilised**	Outstanding	Utilised
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Joint ventures	**117,000**	**117,000**	117,000	117,000
Properties buyers	**1,473,448**	**1,473,448**	563,965	563,965
	1,590,448	**1,590,448**	680,965	680,965

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

Apart from the above, the Company has executed a guarantee in favour of the Hong Kong Government in respect of the performance obligation of an investee company under a contract with the Hong Kong Government.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Operating Results

The revenue of the Group for the year ended 31 December 2016 was HK$9,620 million, which was primarily derived from the property sales of Grand Summit in Shanghai, J Wings and J Metropolis in Guangzhou, Silver Cove in Dongguan, Twin Peaks in Hong Kong and as well as from the rental income of the Shanghai K. Wah Centre. The attributable revenue of the Group (comprising the revenue of the Group and attributable revenue from joint ventures and associated companies of HK$2,950 million) was HK$12,570 million in 2016, representing an increase of approximately 95% as compared with that of the last year.

Attributable contracted sales of the Group (comprised of contracted sales of the Group and attributable contracted sales from joint ventures and associated companies) in 2016 amounted to approximately HK$13 billion, mainly derived from Grand Summit and The Palace Phase II in Shanghai, The Peak in Nanjing, J Wings and J Metropolis Phases II & III in Guangzhou, Silver Cove in Dongguan, The Spectra and as well as other joint venture projects in Hong Kong. Approximately HK$6.3 billion of the above attributable contracted sales of the Group was recognised in the accounts in 2016. The remaining approximately HK$6.7 billion is expected to be recognised in 2017 and 2018.

Profit attributable to equity holders of the Company was HK$3,182 million, while underlying profit of the Group (before fair value gain of investment properties) was HK$2,808 million for the year ended 31 December 2016.

The total comprehensive income attributable to equity holders of the Company was HK$3,617 million for the year ended 31 December 2016 after accounting for the increase in fair value on the non-current investment of an approximately 3.8% interest in Galaxy Entertainment Group Limited ("GEG") and exchange differences arising from translation of the Group's RMB denominated net assets at year end.

Property Development and Investment in Hong Kong

The property market slowed down at the beginning of the year as market participants worried about the global and Chinese economic outlook while expecting the U.S. interest rate would hike. Property developers reacted by offering price cuts and/or with greater incentives to attract homebuyers. At the same time, favourable responses in land sales, the return of Mainland property investors and competitive mortgage rate cuts among banks in Hong Kong have combined to drive a resurgent Hong Kong property market until early November when the Hong Kong Government announced an increase of ad valorem stamp duty to 15%. Nevertheless, while transaction volume dropped (particularly in the secondary market), property prices have remained stable since then. On the other hand, property developers were still keen for land replenishment and competition in the land market remained strong.

Sales of the Group during the year were mainly driven by the joint venture project The Spectra and the remaining units of joint venture projects Marinella, Providence Bay, Providence Peak and Mayfair By The Sea I. The Spectra was launched in March and received a satisfactory market response. Occupation permits for Twin Peaks and Corinthia By The Sea were obtained in June, and consequentially sales for these two projects were recognised in 2016.

In December, the Group successfully acquired a new site at Kai Tak for a total land premium of HK$5,869 million.

The Group's leasing performance continued to be satisfactory during the year. Our premium dining and shopping arcade, J SENSES, in Wan Chai maintained almost full occupancy and recorded satisfactory rental income.

(A) Current Major Development Properties

Twin Peaks, Tseung Kwan O (100% owned)

This project is a premium residential development comprised of 372 small- to medium-sized units with a total GFA of approximately 28,000 square metres. Pre-sales began in March 2015 with an encouraging market response. The occupation permit was issued in June 2016 and all of the residential units have been sold except for a penthouse unit.

Corinthia By The Sea, Tseung Kwan O (40% owned)

This is a premium residential complex partnered with another property developer. The development offers 536 units with a total GFA of approximately 45,000 square metres. Pre-sales began in June 2015 with an encouraging market response. The occupation permit was issued in June 2016 and all of the residential units have been sold.

The Spectra, Yuen Long (60% owned)

This premium residential development has been undertaken together with another property developer. The total GFA is approximately 49,000 square metres comprising 912 units. Pre-sales began in March 2016 with an encouraging market response, and over 90% of the residential units have been sold. Superstructure works are underway, and the project is expected to be completed by 2017.

K.City, Kai Tak, Kowloon (100% owned)

This residential development is located in the heart of the Kai Tak Development Area near the future Kai Tak MTR Station of the Shatin to Central Link. The development offers 900 units with a total GFA of approximately 51,000 square metres. Pre-sales began in February 2017 with an encouraging market response. Superstructure works are in progress with completion expected by 2018.

Tai Po Town Lot No. 226 (100% owned)

This residential development with a total GFA of approximately 61,600 square metres, is located in close proximity to our joint venture projects of Providence Bay, Providence Peak and Mayfair By The Sea I. The district there is a fast maturing community with good potential. Planning and design work is currently in progress.

Chantilly, 6 Shiu Fai Terrace, Stubbs Road (100% owned)

This exclusive low-rise luxury residential project has a total GFA of approximately 8,100 square metres. The complex is comprised of 24 luxury apartments located in a 12-storey building and includes an exclusive clubhouse and a swimming pool. The project is complete, and approximately 40% of the residential units have been sold. During 2016, certain apartments were transferred to investment properties in pursuance of the Group's strategy to increase recurring income.

Marinella, Aberdeen, Hong Kong (35% owned)

Marinella is a luxury residential development with a total GFA of approximately 69,300 square metres and 411 units. The development was built in cooperation with other property developers, for which the Group acted as lead partner and project manager. The development is complete, and almost all of the residential units have been sold.

Providence Bay, Tai Po (15% owned)

This luxury residential development, which has a total GFA of approximately 78,400 square metres and 482 units, was undertaken in collaboration with other property developers. The development is complete, and over 95% of the residential units have been sold.

Providence Peak, Tai Po (25% owned)

This luxury residential complex was developed in cooperation with other property developers. With a total GFA of approximately 83,600 square metres and 548 units, the development is complete, and over 95% of the residential units have been sold.

Mayfair By The Sea I, Tai Po (15% owned)

This luxury residential development with a total GFA of approximately 67,000 square metres and 546 units, was undertaken in association with another property developer. The development is complete, and almost all of the residential units have been sold.

2 Grampian Road, Kowloon (100% owned)

The Group revised its plan and has now planned to develop this project into a premium low-rise residential development with a total GFA of approximately 2,000 square metres. Foundation works have been completed and the project has a targeted completion date of 2019.

30 Po Shan Road, Mid-Levels, Hong Kong (50% owned)

This is a luxury residential development undertaken in cooperation with another property developer. The total completed GFA will be approximately 3,700 square metres. Planning and design work is currently in progress.

New Kowloon Inland Lot No. 6566, Kai Tak Area 1K Site 2 (100% owned)

This newly acquired site, with a total GFA of approximately 53,000 square metres, is located in the heart of the Kai Tak Development Area near the future Kai Tak MTR Station of the Shatin to Central Link. Planning and design work will commence soon.

(B) Other properties in Hong Kong

J SENSES at J Residence, Johnston Road, Wan Chai (100% owned)

With a total GFA of approximately 3,400 square metres, J SENSES is a premium dining and shopping arcade located in the heart of Hong Kong Island. It is almost full occupied and continues to deliver stable rental income for the Group.

Property Development and Investment in Mainland China

During the year, the property market in Mainland China was going through stages of general rally with overheated sentiments in many cities, particularly, in tier-one and two cities, before consolidation. With the cash generated from strong sales, many property developers aggressively bidded for land put on the market resulting in many recorded prices.

With the liquidity in the banking market to support economic growth and de-stocking in lower-tier cities, the property market in tier-one and some popular tier-two cities turned around after a brief setback in March/April. A strong rebound was then witnessed, with fervent market sentiments and price increases for properties accelerating in major tier-one and two cities. While the local governments had been imposing various restrictive measures on property purchasers, more stringent rules were added, also on land bidders, since early October which succeeded in swiftly stabilising the property market. Transactions then dropped with only a moderate drop in price. Land market was cooled down with less property developers participating in land bids while the transaction prices remained stable.

During the year, the Group continued to market the remaining units of Grand Summit and The Palace in Shanghai, J Metropolis and J Wings in Guangzhou and Silver Cove in Dongguan with good responses. We also launched a new project, The Peak in Nanjing in the last quarter which also received a good response. With the completion of J Metropolis Phase II and Silver Cove Phase I & II, the pre-sale results were recognised in 2016.

In December, the Group successfully acquired a new site in Nanjing for a total land premium of RMB1,360 million.

The Group's major investment property, Shanghai K. Wah Centre, maintained a satisfactory occupancy rate of over 99% during the year.

(A) Current Major Development Properties

Shanghai and Nanjing

Grand Summit, Xinzha Road, Jingan District (100% owned)

Situated in an upmarket area of Jingan District close to the vibrant central retail and business district of Nanjing West Road, this exclusive luxurious residential project has a total GFA of approximately 100,000 square metres offering 273 residential units and 113 units allocated as serviced apartments under "Stanford Residences". The project is complete, and over 90% of the residential units have been sold and over 80% the serviced apartment units have been leased as at 2016 year end.

The Palace, Jianguoxi Road, Xuhui District (100% owned)

This unique luxury development is located in an affluent, traditionally residential area of Shanghai. The total GFA of this project is approximately 140,000 square metres, featuring 14 blocks of luxury residential buildings and upscale commercial facilities. The first phase of the project, covering approximately 36,000 square metres GFA, is complete, and over 95% of the units have been sold. The second phase of the project, covering approximately 35,000 square metres GFA, began its pre-sales in May 2015 and was well received by the market with over 85% of which have been sold. The balance is comprised of approximately 69,000 square metres, of which 119 units of approximately 26,000 square metres will be retained as serviced apartments and launched to the market for leasing in 2017, also under the “Stanford Residences” brand. The development is expected to be completed by 2017.

The Peak, Xingxian Road, Qixia District, Nanjing (100% owned)

This project is located in a well-developed community with a wide range of facilities. Due to its elevated position, it enjoys panoramic views. It has a total GFA of approximately 132,000 square metres and is being developed into an integrated residential and commercial complex offering 1,167 residential units to the market. Pre-sales began in September 2016 with a good market response. Superstructure works are underway, and construction is due to be completed in 2018.

Azure, Jingye Road, Pudong New District (100% owned)

This project is a premium residential development comprised of 232 units with a total GFA of approximately 29,000 square metres. 103 units with a total GFA of approximately 13,000 square meters will be retained as serviced apartments, also under the “Stanford Residences” brand. It is within a well-developed residential area that offers good transportation links to the Pudong CBD. Superstructure works are underway, and the project is expected to be completed in 2017.

Site 7-7,Unit E18, Weifang Village Street, Pudong District (100% owned)

This project is located by the Huangpu River in Pudong, with a total GFA of approximately 14,200 square metres. It is situated in a prime location between the Lujiazui Financial Centre and the convention, exhibition and business zone of the World Expo headquarters. Government approval is being sought for the project’s master design plan.

Windermere, Qingpu District (100% owned)

Located in Zhujiajiao Town in Qingpu District, the development is comprised of low-rise residential buildings with ancillary commercial facilities offering 256 units and a total GFA of approximately 71,000 square metres. The project is complete, and sales of this project are expected to commence in 2017.

Site G89, Jiangning District, Nanjing (100% owned)

This newly acquired site is, located in Jiangning District, close to several railway and transportation networks and within 1 kilometre of the Nanjing South Railway Station. It has a total GFA of approximately 49,700 square metres and will be developed into residential buildings with ancillary commercial facilities. The project company was formed. Planning and design work has commenced.

Site G87, Pukou District, Nanjing (33% owned)

The Group participated in a joint venture with two property developers in January 2017 to own this site located in Pukou District, lying northwest across the Yangtze River from downtown Nanjing, with a total GFA of approximately 98,500 square metres, to be developed into residential buildings. The joint venture project company was formed. Planning and design work has commenced.

Guangzhou and Dongguan

Huadu Jiahua Plaza, Yingbin Road, Huadu District (100% owned)

This site is close to the New Baiyun International Airport and has a total GFA of approximately 231,000 square metres. The project is a composite development with a hotel, office space and premium residential towers. The first phase of the project, covering approximately 45,000 square metres GFA, is complete and includes a hotel and an office tower. The second phase, J Wings, has a GFA of approximately 100,000 square metres and is slated for residential development. The pre-sales for J Wings began in March 2015 and construction was completed in the same year. Market response has been encouraging, and over 95% of the units have been sold. The third phase with a GFA of approximately 60,000 square metres is planned for sales while the fourth phase with a GFA of approximately 26,000 square metres is planned for leasing. Both phases are under construction with completion expected in 2018.

Le Palais, Jianshebei Road, Huadu District (100% owned)

Located in the downtown area of Huadu, this residential development covers a total GFA of approximately 46,000 square metres and is about a 20-minute drive from the New Baiyun International Airport. The project is complete and over half of the residential units have been sold.

J Metropolis, Xinhuazhen, Huadu District, Guangzhou (99% owned)

J Metropolis is only one step away from Baiyun District and poised to benefit from the build up of new transportation network. The total GFA of this project is approximately 793,000 square metres with development to be undertaken in phases. The first phase has a GFA of approximately 77,000 square metres offering 564 residential units. The development is complete, and over 90% of the units have been sold. The second phase has a GFA of approximately 75,000 square metres offering 600 residential units. Pre-sales started in 2015, and the development was completed in 2016. Over 90% of the units have been sold. The third phase covers approximately 40,000 square metres offering 337 residential units with targeted completion in 2017. Pre-sales also started in 2015, and over 95% of the units have been sold. The fourth phase, covering approximately 34,000 square metres, is under construction and has a targeted completion date of 2017.

Silver Cove Phases I&II, Shilong Town, Dongguan (100% owned)

Located in the Xihu Village of Shilong Town, this project offers 1,547 residential units with a total GFA of approximately 202,000 square metres, including a commercial portion with a GFA of approximately 9,600 square metres. It enjoys an expansive river frontage and is within walking distance of the new Dongguan station. The development of these two phases was completed in 2016, which are well received by the market and over 75% of the residential units have been sold.

Silver Cove Phase III, Shilong Town, Dongguan (100% owned)

This project, which is under construction with completion expected by 2017, is located at Xihu Middle Road, Shilong, Dongguan. The project has a total GFA of approximately 34,000 square metres. The Group plans to launch this project to the market for sales in 2017.

(B) Investment Properties

Shanghai K. Wah Centre, Huaihai Zhong Road, Shanghai (69.6% effective interest)

This prime investment property with a total GFA of approximately 72,000 square metres continued to achieve almost full occupancy throughout 2016, achieving a satisfactory rental income for the Group.

Stanford Residences, Xinzha Road, Jingan District (100% owned)

The Group is dedicated to creating a privileged residential lifestyle environment for tenants in pursuit of high-end modern living. The Stanford Residences (Jingan), its first serviced apartment project in Shanghai, is located within the Group's luxurious residential project, Grand Summit. With a total GFA of approximately 29,000 square metres, the development offers everything from five-star management services to sophisticated and contemporary interiors that feature stylish furniture and fittings. The Stanford Residences (Jingan) offers a total of 113 units, mainly in 3-bedroom configurations, as well as duplexes and penthouses. With its serviced apartments well received by its tenants, it was awarded in 2016 among others, the "Serviced Apartment of the Year (年度最佳服務式公寓)".

Certain portions of The Palace and Azure will be added to the serviced apartments portfolio managed under the "Stanford Residences" brand upon completion in 2017 with some units in these projects be allocated as serviced apartments and launched to the market for rental.

Office project, Suhe Creek, Jingan District (53.61% owned)

Development of this site located by the Suhe Creek in Jingan District with a total GFA of approximately 20,000 square meters into an office building, with some areas for cultural and commercial activities, was resumed in the last quarter of 2016 after it was being cleared from the construction of metro lines numbered 8 and 12. Government approval for the project's master design plan was granted and construction is expected to start in 2017.

Investment in GEG

The Group maintains a non-current investment of 162 million shares, or an approximate 3.8% interest, in GEG carried at fair market value. As of 31 December 2016, the share price of GEG was HK$33.8 compared with HK$24.5 as of 31 December 2015. The change in fair value of approximately HK$1,519 million was directly recorded as an increase in reserve.

OUTLOOK AND STRATEGY

Global and Asian economies

The U.S. economy is expected to continue to grow in 2017 with the consensus forecasts of GDP growth at around 2.3%, compared to 1.6% for 2016. Further interest rate hikes in the U.S. are expected after a 0.25% hike in December 2015 and 2016, and March 2017 respectively. However, the pace of any further increase in U.S. interest rates will be subject to global economic development and to the volatility in the financial and commodity markets as well as the policies to be adopted by the new U.S. government and their consequential impacts. The Eurozone, on the other hand, will continue to struggle to remain on its recovery course which may become more uncertain in view of the various general elections there and the progress of negotiation between U.K. and the Eurozone countries on the Brexit in 2017.

Under the "new normal" in Mainland China, economic growth will be slower but aims to be more sustainable. GDP growth for 2017 is targeted by the Chinese Government to be 6.5%, compared to 6.7% achieved in 2016. Hong Kong GDP is however forecast to experience higher growth in 2017. Although the trade, tourism and retail sectors are expected to continue to face challenges in 2017, the Hong Kong Government anticipates a GDP growth rate of 2– 3% in 2017 compared with 1.9% in 2016.

The property market in Hong Kong and Mainland China

Consumer demand in the small unit size and upmarket segments of the Hong Kong residential market outperformed that for the upgrader sector in 2016 due to the restrictive measures by the Hong Kong Government in setting designated loan-to-value ratio caps and levying higher stamp duties, particularly, after the increase of ad valorem stamp duty to 15% in October 2016, and these measures are expected to continue in 2017. The overall residential market price however seems unaffected and remains on the upward trend commenced in March 2016. It is expected price will remain stable in 2017.

Generally speaking, the residential property market in Mainland China remained solid throughout 2016 with first and second tier cities performing well, supported by strong demand. In 2016, average transacted prices in Shanghai recorded a nearly 20% increase although there was a slight decrease in GFA by less than 7% sold in the primary residential market mainly due to supply was about 34% less. It was recently emphasized by the Chinese Government that residential properties are for owner's use, not for speculation. It is expected that tightening measures will remain during 2017, with a focus on controlling home prices. There may be more measures to stabilize home prices when necessary. Liquidity in the market may be tightened but still remains adequate. In addition, the strong sales-to-supply ratio in the physical market in 2016 helped in reducing inventories in key cities. This will help holding average transacted prices stable in 2017 while sales may remain slow in the first half.

It is expected that the land markets, both in Hong Kong and Mainland China, will remain competitive with property developers looking for land replenishment proactively.

Project sales and progress

Hong Kong
In Hong Kong, the Group has obtained pre-sale consent in late 2016 for the launch of K.City, 100% owned by the Group, which is located in the Kai Tak Development Area near the future Kai Tak MTR Station of the Shatin to Central Link. Pre-sales of the project were commenced in February 2017 with an overwhelming market response, but sales results are not expected to be recognised until 2018.

During 2017, we will continue to market available units in Chantilly and Twin Peaks, as well as our joint venture projects The Spectra, Marinella, Providence Bay, Providence Peak and Mayfair By The Sea I.

Yangtze River Delta
In Shanghai, we will continue to market available units in Grand Summit and The Palace Phases I & II, and to launch a new batch of units in The Peak, Nanjing. Depending on project progress, we

will launch Windermere in Qingpu District and Azure in Pudong District, both in Shanghai, in 2017. Sales results of these projects are expected to be recognised in the year except for the results of The Peak which will be in 2018.

Pearl River Delta

In Guangzhou, we will continue to sell the available units in Le Palais, The J Wings, J Metropolis Phases I, II and III in Guangzhou and Silver Cove Phases I and II in Dongguan. Depending on project progress, we also plan to launch the third phase of Huadu Jiahua Plaza, J Metropolis Phase IV and Silver Cove III in the second half of 2017. Sales results of these projects are expected to be recongised in the year except for the results of the third phase of Huadu Jiahua Plaza which will be in 2018.

Land-bank replenishment

The Group successfully won the tender for the New Kowloon Inland Lot No. 6566, Kai Tak Area 1K Site 2 in Hong Kong in December 2016 with a total land premium of HK$5,869 million. The Group was also in December 2016 awarded under auction a residential/commercial land site in Jiangning District, Nanjing with a total land premium of RMB1,360 million. The Group also participated in a joint venture for 33% of its equity interest in January 2017 to develop a residential land site in Pukou District, Nanjing with our share of land premium of RMB336.6 million. Despite keen competition for land among property developers, the Group will continue to exercise discipline and sound judgment in our landbank replenishment.

Recurring income

Our stated strategy has been to increase the recurring income of the Group, both to reduce earnings volatility and to underpin our annual dividend payments.

Following the commencement of operation of the serviced apartment Stanford Residences (Jingan) in Shanghai in 2015, the GFA of the Group's investment property portfolio was increased from approximately 100,000 square metres to approximately 130,000 square metres. Additional units of approximately 26,000 square metres of the second phase of The Palace and approximately 13,000 square metres of Azure, both luxury developments located in prime Shanghai locations, will be converted into serviced apartments and added to its investment property portfolio in 2017.

The Group has also commenced marketing for tenants recently for the commercial portion of Silver Cove with a GFA of approximately 9,600 square metres.

We will increase the total GFA of the recurring income portfolio in the next few years up to around 200,000 square metres.

Finally, dividend income derived from our approximate 3.8% interest in GEG will further augment our recurring income.

Conclusion

The global economy is expected to face various challenges and uncertainties in 2017 arising from the policies to be adopted by the new U.S. Government and the general elections in Europe, which may affect the unity of Eurozone countries. Strong recovery in economic activity is not expected. Volatility in the financial, currency and commodity markets will persist. Despite the various restrictive measures in the Hong Kong and Mainland China property markets, the strong underlying residential demand in both markets and the Group's quality projects, however support the Group's view that conditions are still favourable in both markets for our continued sales activities. The Group sees property prices well supported in Hong Kong and the first and second tier cities in Mainland China where the Group operates. Consequentially, we expect to proceed with the launch of the new projects as stated above timely. On the other hand, we will continue to look for new landbank opportunities in Hong Kong, the Yangtze River Delta and Pearl River Delta regions while it is expected that keen competition will be seen among property developers in both Hong Kong and Mainland China.

REVIEW OF FINANCE

Financial Position

The financial position of the Group remained healthy throughout the year. As of 31 December 2016, total funds employed (comprised of total equity and total borrowings and guaranteed notes) were HK$38 billion (2015: HK$36 billion). The number of issued shares of the Company increased to 2,956,748,603 as of 31 December 2016 (2015: 2,839,597,270) as a result of the issuance of scrip dividends and exercise of share options during the year.

Group Liquidity, Financial Resources and Gearing Ratio

The Group monitors its liquidity requirements on a short- to medium-term basis, and arranges refinancing of the Group's borrowings when appropriate. As of 31 December 2016, the Group's borrowings of bank loans and guaranteed notes were HK$11,013 million. The maturity profile is spread over a period of up to five years, with 28% repayable within one year and the remaining 72% repayable after one to five years. The average interest rate for the Group during the review year was approximately 2.7%.

As of 31 December 2016, the Group had available undrawn committed facilities totaling HK$11,785 million comprising HK$7,340 million for working capital and HK$4,445 million for project facility purposes.

As of 31 December 2016, cash and bank deposits stood at HK$7,248 million, and approximately 67% was held in Renminbi.

The gearing ratio, defined as the ratio of total borrowings and guaranteed notes less cash and bank deposits to total equity, stayed at 14% as of 31 December 2016 (2015: 35%).

A 5-year revolving credit and term loan totaling HK$8 billion was executed in January 2017 for refinancing at lower cost and additional available funding source to enhance the Group's liquidity.

Treasury Policies

The Group continues to adopt a prudent approach regarding foreign exchange exposure in order to minimise risk. Forward foreign exchange contracts are utilised when considered appropriate and when attractive pricing opportunities arise to mitigate foreign exchange exposures. Interest rate swap contracts are also utilised as appropriate to avoid the impact of any undue interest rate fluctuations on the Group's operations.

Of the Group's bank loans and guaranteed notes of HK$11,013 million as of 31 December 2016, approximately 96% was denominated in Hong Kong dollars after hedging, with the remainder in Renminbi. Approximately 68% of such borrowings and notes was on a floating rate basis, with the remainder on a fixed rate basis after hedging.

Charges on Group Assets

As of 31 December 2016, certain subsidiaries of the Group pledged assets (comprising investment properties, development properties, leasehold land and land use rights, and buildings) with aggregate carrying values of HK$12,284 million (2015: HK$12,078 million) to banks in order to secure the Group's borrowing facilities.

Guarantees

As of 31 December 2016, the Company has executed guarantees in favour of banks and financial institutions with respect to facilities granted to certain subsidiaries and joint ventures, amounting to HK$18,513 million (2015: HK$21,039 million) and HK$117 million (2015: HK$117 million), of which facilities totaling HK$7,517 million (2015: HK$8,902 million) and HK$117 million (2015: HK$117 million) had been utilised respectively.

In addition, certain subsidiaries of the Company provided guarantees amounting to HK$1,473 million (2015: HK$564 million) in relation to mortgage facilities granted by banks to the mortgage loans arranged for purchasers of the Group's properties.

The Company has executed a guarantee in favour of the Hong Kong Government with respect to the performance obligation of an investee company under contract with the Hong Kong Government.

EMPLOYEES AND REMUNERATION POLICY

The Group believes its long-term growth and success depend upon the quality, performance and commitment of its employees. The Group's remuneration policy aims to offer competitive remuneration packages to attract, retain and motivate talents. With result-driven incentive programmes which are built upon our established performance management framework, the Group believes the remuneration packages of its employees are fair, reasonable and competitive in relation to comparable organisations with similar business interests.

The Group has put in place a share option scheme for its executives and employees since 1989 for the purposes of providing competitive remuneration package as well as retaining talents in the long term. The Group puts emphasis on employees' training and development opportunities which form an important component of the Group's human resources strategy. Training and development programmes are provided through internal and external resources in each year to address the needs of our employees for the sustainable development of our businesses.

ENVIRONMENTAL, SOCIAL AND GOVERANCE POLICIES

The Group had prepared a report for 2016 in compliance with Appendix 27 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("HK

Stock Exchange") on "Environmental, Social and Governance Reporting Guide". Highlights of the Group's environmental, social and governance policies and the performance are shown as below:

The Group endeavours to execute operations in a manner which ensures the sustainability of our resource reserves and the preservation of our environment. As an integrated property developer, the company strives to take extensive account of sustainability considerations from the design and planning to the construction phase of a project. Within our Hong Kong portfolio, the Twin Peaks and The Spectra are noteworthy projects which have achieved the BEAM green building accreditation from the Hong Kong Green Building Council. With our Mainland China projects, environmental stewardship is articulated in the building design, advocating practices such as the incorporation of efficient lighting and water preservation systems.

Our approach to waste management entails the best practices of the industry. Both our Hong Kong and Mainland China projects are stringently governed by the waste disposal statutory requirements of each region. In Hong Kong, all contractors are required to conduct operations as stipulated in the "Best Practice Guide for Environmental Protection on Construction Sites" provided by the Hong Kong Construction Association. The Company offices contribute to domestic waste reduction via strict waste-sorting programmes whereby as much as 30% reduction was achieved at the Shanghai K. Wah Centre.

The Company continues to take steps to minimise energy usage and carbon emissions across its offices in Hong Kong and Mainland China. Demand-controlled cooling systems, coupled with more efficient lighting retrofits has made substantial contributions. Aggregate performance figures are disclosed in our ESG Report for the reporting year.

Account of Key Relationships with Employees, Customers and Suppliers

The Company seeks to drive and maintain positive relationships with our key stakeholder groups, by taking their interests and needs into full account.

Employees

Our employees work hard to deliver quality solutions to the growing needs of the property development sector. The increase in business has resulted in us growing by 20% since 2012 in order to meet this demand. The Company continues to offer all our employees competitive remuneration and benefits, which are in line with transparent policies rewarding merit-based performance. We embrace diversity in our workplace, reflected by our commitment to a talent acquisition process that does not tolerate discrimination in any form. This is exemplified by our relatively even workforce distribution in terms of gender and age group. The Company continues to invest in the further development of our employees, through internal programmes as well as via sponsorships for relevant external courses.

The provision of a workplace that does not jeopardize employee safety is of our paramount concern. Our projects in Hong Kong and Mainland China are required to adhere to statutory regulations governing safety standards. Each region ensures strict compliance via contractor screenings and periodic audits.

Customers

To continually exceed the expectations of our customers, the company embeds quality control in different operation procedures. In Hong Kong, a strict pre-qualification exercise ensures selected contractors are ISO 9000 quality management system certified, and continuous quality assessment is headed by a commissioned professional. Our projects in Mainland China employ similar quality assurance mechanisms through Standard Operating Procedures which govern all projects from inception to completion.

The highest ethical standards underpin our business conduct with our customers. The Company seeks to deliver transparency consistently by upholding all relevant advertising and data privacy standards.

Suppliers

The Company demonstrates corporate responsibility by extending our sustainability values throughout our supplier chain. In our prequalification procedures, suppliers that engage in the management of environmental and social risks are given higher priority. Their stringent quality control and audit procedures are also crucial criteria in the selection of competent suppliers.

Compliance Status with Relevant Laws and Regulations that have a Significant Impact on the Business

In the reporting year, the Company recorded no cases of non-compliance with relevant standards, laws and regulations on anti-corruption, occupational health and safety, environment, and data privacy in Hong Kong and Mainland China.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to principles of good corporate governance consistent with prudent management and enhancement of shareholders' value. The full Board is entrusted with the overall responsibility of developing and ensuring adherence to the Corporate Governance Policy and the Shareholders Communication Policy. The Company is committed to maintaining high standards of corporate governance and enhancing corporate transparency and accountability.

Throughout the year under review, the Company has complied with the code provisions ("***CPs***") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules on HK Stock Exchange, apart from the deviations from (i) CP A.2.1, namely, the roles of chairman and managing director have not been separated; and (ii) CP A.4.2, namely, the chairman and the managing director are not subject to retirement by rotation.

The Board believes that the Company has strong underlying rationale to deal with such deviations as mentioned under the section headed "COMPLIANCE WITH APPENDIX 14 OF THE LISTING RULES" in the Corporate Governance Report of its 2015 Annual Report and as alluded to in the section headed "CORPORATE GOVERNANCE" in its 2016 Interim Report. Detailed information of the Company's corporate governance practices will be disclosed in the Corporate Governance Report contained in the Company's 2016 Annual Report. The Board has taken alternative steps to address such deviations. The Board will continue to review and recommend such steps and actions as appropriate in the circumstances of such deviations.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("***Model Code***") as set out in Appendix 10 of the Listing Rules. Having made specific enquiries with all its Directors, the Company confirms that during the year ended 31 December 2016 all of its Directors have complied with the required standards as set out in the Model Code.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2016 have been reviewed by the Audit Committee of the Company. The figures in this preliminary announcement of the results of the Group for the year ended 31 December 2016 have been agreed to the amounts set out in the Group's draft consolidated financial statements for the year by the auditor of the Company, PricewaterhouseCoopers. The work of PricewaterhouseCoopers in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

FINAL DIVIDEND

The Board has resolved to recommend at the forthcoming annual general meeting to be held on 7 June 2017 ("***2017 AGM***") a final scrip dividend (with a cash option) for the year ended 31 December 2016 of 13 HK cents per share, totaling HK$384,689,000, payable on 19 July 2017 to the shareholders whose names appear on the registers of members of the Company at the close of business on 20 June 2017 (2015: a final scrip dividend (with a cash option) of 12 HK cents per share totaling HK$340,776,000). Together with the interim scrip dividend (with a cash option) of 5 HK cents per share (2015: interim scrip dividend (with a cash option) of 5 HK cents per share), total dividends per share for the year ended 31 December 2016 is 18 HK cents (2015 total: 17 HK cents).

Payment of the final dividend is conditional upon the passing of an ordinary resolution at the 2017 AGM and the HK Stock Exchange granting the listing of and permission to deal in the new shares to be issued as the scrip dividend. It is expected that the share certificates in respect of such shares and dividend warrants will be posted on 19 July 2017 to those entitled. The Company will send a circular to the shareholders containing, among others, details of the proposed scrip dividend.

CLOSURE OF REGISTERS OF MEMBERS

Entitlement to attend and vote at the 2017 AGM

The registers of members will be closed from 2 June 2017 to 7 June 2017, both dates inclusive, during which period no transfer of shares will be registered in order to ascertain shareholders' eligibility to attend and vote at the 2017 AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 1 June 2017.

Entitlement to Final Dividend

The registers of members will be closed from 15 June 2017 to 20 June 2017, both dates inclusive, during which period no transfer of shares will be registered in order to ascertain shareholders' entitlement to the proposed final dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 14 June 2017.

PUBLICATION OF FURTHER INFORMATION

This announcement will be published on the websites of the Company (*www.kwih.com*) and Hong Kong Exchanges and Clearing Limited ("***HKEx***") (*www.hkexnews.hk*). The Company's 2016 Annual Report containing all the applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Company and HKEx in late April 2017.

DIRECTORS

As at the date of this announcement, the Executive Directors are Dr. Lui Che-woo (Chairman & Managing Director), Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah; the Non-executive Director is Dr. Moses Cheng Mo Chi; and the Independent Non-executive Directors are Dr. Robin Chan Yau Hing, Dr. William Yip Shue Lam, Mr. Au Man Chu and Mr. Wong Kwai Lam.

By Order of the Board of
K. Wah International Holdings Limited
Lee Wai Kwan, Cecilia
Company Secretary

Hong Kong, 21 March 2017